



City Councilmember  
**Carl DeMaio**

News Release

## **DeMaio Calls For Reform of “Bid-to-Goal” Bonuses in Wake of Critical City Audit**

*Audit Requested by Councilmember Finds \$10.7 Million in Savings  
Were Over-Stated and 40% of Goals Were “Incorrectly Reported”*

FOR IMMEDIATE RELEASE  
February 3, 2009

CONTACT: Jennifer Jacobs, 619-236-6655

SAN DIEGO – In the wake of a city audit report that has found flaws and weaknesses in a controversial employee bonus program in the Utilities Department, City Councilmember Carl DeMaio called on the Mayor and City Council to enact comprehensive reforms of the program.

The Bid-to-Goal program conducts a simulated bid competition between the Utilities Department and a mock outside bid, with some of the cost savings achieved used to pay performance bonuses for city employees.

The bonus program cost city taxpayers more than \$28 million since FY 2006 – with the funds coming directly from water and sewer bills. Water and sewer bills have increased by over 35% during the same period of time. Last fiscal year, over 1400 bonuses were awarded – ranging from \$1200 to \$6200.

The audit report – requested by Councilmembers Carl DeMaio and Kevin Faulconer in May – found the following irregularities:

- \$10.7 million in supposed cost savings from the incentive program were over-stated
- Goals set for bonuses were not adequately documented, payouts were not externally audited and 40% of goals were incorrectly reported
- While some efficiencies are documented, the report notes many are “attributable to other factors” and “efficiencies would have occurred to some extent through other efforts.”

“This audit report confirms the concerns I have over the way in which these bonuses for city employees are being administered. We should implement the recommendations of the audit report as soon as possible to protect taxpayers from this questionable bonus program,” DeMaio said.

“Instead of conducting a simulated mock bid, we should conduct a real bid through the Managed Competition reform voters have already approved,” noted DeMaio.

DeMaio says he’s committed to working with the Mayor and City Council to eliminate the bonus program through labor negotiations and replace it with a program that utilizes the Managed Competition reform voters approved more than three years ago.

“At a time when city residents are seeing their water and sewer bills skyrocket, this flawed employee bonus program should immediately be reformed to base rewards strictly on the achievement of legitimate cost savings,” DeMaio concluded.

###